THE CHICAGO COMMUNITY TRUST AND AFFILIATES

POLK BROS FOUNDATION

WOODS FUND CHICAGO

CONANT FAMILY FOUNDATION

Wieboldt Foundation
Celebrating over 90 years of funding community organizing.

February 14, 2021

RE: Docket No. R-1723 and RIN 7100-AF94

Via email: regs.comments@federalreserve.gov

To the Federal Reserve Board of Governors:

As a group of private philanthropies and public charities in Chicago, we want to commend you on the thorough and engaged process in seeking comments as part of the Advanced Notice of Proposal Rulemaking for the Community Reinvestment Act (CRA). Our organizations have prioritized and focused our efforts to address the racial and economic inequities in our area, and to dismantle the systemic barriers to building wealth and economic mobility for communities of color in our city and region. We are eager for the regulations guiding oversight and enforcement of the CRA to play an important role in tackling head-on the economic disparities between predominantly white and predominantly Black or Latino households and neighborhoods that continue to characterize our city and nation. Indeed, the patterns of segregation entrenched during our city's and our nation's shameful history of 'redlining', continue to be replicated and seen in data maps on everything from home and small business lending, to life expectancy, and now to rates of COVID infection and access to vaccinations.

While we will not address all 99 of your very detailed questions, we have chosen to focus our comments on Question 2:

In considering how the CRA's history and purpose relate to the nation's current challenges, what modifications and approaches would strengthen CRA regulatory implementation in addressing ongoing systemic inequity in credit access for minority individuals and communities?

First, we want to emphasize the importance of an analysis of a bank's performance that includes a clear and explicit assessment of how well banks are serving and lending in communities of color. In 2020, City Bureau and WBEZ, our local public radio station, published an analysis of home lending in Chicago neighborhoods and found that 70 percent of all dollars loaned in Chicago went to predominantly white communities compared to 8 percent in Black communities, and 9 percent in Latinx communities. Shockingly, more dollars were invested in a single majority-white neighborhood than all of the city's majority black neighborhoods combined. This is unacceptable in a city with a population that is 1/3 white, 1/3 Black and 1/3 Latinx.

While we recognize the CRA is a race-neutral policy, current patterns in bank lending across all types of lending institutions is decidedly NOT race neutral. We urge the Federal Reserve, along with the FDIC and OCC to adopt an enhanced fair lending analysis and standard in its assessment of bank performance. Furthermore, we suggest that the bar can and should be raised as to what qualifies as an "outstanding" CRA rating, and that perhaps a bank may not reach this standard of approval if it does not lend at rates proportionate to the racial and ethnic make-up of the communities it serves.

We further support increased and strengthened lending data, particularly as it relates to small business lending, and greater transparency of the data and metrics used to assess bank CRA performance. The recent poor performance of banks in reaching small businesses led by people of color by financial institutions across the country as part of the Paycheck Protection Program is evidence that banks must do more to meet the credit needs of these businesses.

Accountability through data is critical as financial institutions are important actors and vital partners in the financial and economic success of any community. We are confident that banks collect such data and believe that providing it to CRA examiners is not burdensome, but rather an essential duty in serving the communities in which they operate. Furthermore, we suggest that community feedback be incorporated as a critical input into an institution's final rating. Banks have a duty to serve and be accountable for meeting the needs of the communities from which they profit.

Finally, the CRA has pushed banks to become an important partner to foundations, local government, nonprofits and community leaders who seek to advance economic equity, opportunity, and prosperity for all. Banks are critical community-serving institutions that must be at the table to ensure that those who have been systematically disenfranchised over generations can see the same kinds of investments and consumer lending services that middle and upper income, white households have long enjoyed. In addition, a strong CRA is critical to a highly effective community development finance ecosystem and while we believe that banks can and should invest in CDFIs and Minority Deposit Institutions, these investments for which they get CRA credit can make it seem like the banks are meeting their obligations for community lending when in reality the banks themselves could be directly serving the banking and financing needs of the borrowers and lenders where they operate.

In summary, the rules being written today can help to achieve progress towards equitable economic opportunity in our country. This is an important moment to examine where CRA has been able to take us, but also how much further we must go. Unfortunately, we continue to experience a significant and growing racial wealth divide in this country, with it's roots in generations of inequitable lending practices, including redlining which banks employed to systematically deny loans to poor, racial and ethnic minority communities. It is this very practice and resulting wealth inequities that the Community Reinvestment Act sought to end more 40 years ago, and yet, today, disparities remain. We applaud your efforts to focus anew on these rules and are hopeful for a strengthened and improved CRA as a result.

Sincerely,

Helene Gayle President & CEO The Chicago Community Trust	Michelle Morales President Woods Fund Chicago
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